



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

*Amended by
AN 1714*

FmHA AN No. 1664 (1951)

October 23, 1987

SUBJECT: FmHA Program Management and Servicing
Goals Through June 30, 1988

TO: All State Directors and
State Directors-at-Large, FmHA

Purpose/Intended Outcome

This AN establishes goals for FmHA's loan and grant servicing and loanmaking activities for the period July 1, 1987-June 30, 1988. It also sets forth specific lending and servicing policies for FmHA's various loan programs.

Comparison with Previous AN

This AN replaces FmHA AN 1490 (1951) dated November 4, 1986, which expired on September 30, 1987.

Implementation Responsibilities

State Directors and Program Chiefs should immediately review the goals which have been set and make plans for training, implementing, and measuring the results of these efforts. This should be done using management plans, training schedules, and performance elements and standards.

Since most of the computer terminals are in place and a number of helpful software packages are available, this is the time to see how much our computer system can be used to help us attain our goals. Some of you have been very innovative and are using this equipment to good advantage. However, most of us could use it more than we do and will be pleasantly surprised to see how helpful the system can be if we really give it a try. Training (or initiative), practice and a positive attitude are key issues.

Servicing and Supervision

These functions will continue as our top priority in program management. State Directors are to make the most effective and efficient use of our personnel resources and approved contracting services as we move to make even further reductions in delinquency rates for most of our loan portfolio. FmHA has a loan portfolio of \$68 billion with approximately \$7.6 billion being delinquent, as of June 30, 1987. Proper loan servicing also means borrower counseling, proper accounting for security property, financial analysis, interest credit renewal, and consideration for graduation.

EXPIRATION DATE: September 30, 1988

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1951-A



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Property Management

With a substantial inventory of both farms and single family homes, attention must be given to effective property management in order to protect the Government's financial interests. This includes assuring that property is adequately secured and maintained to retain its value, and seeing that aggressive marketing techniques are fully used to sell single family inventory as soon as possible after acquisition. Our new inventory property tracking system will be very helpful if each one of us does what is needed to keep the system current and accurate.

Loanmaking

Each State Director is expected to use available program funds, personnel resources, and approved contract services in line with sound loanmaking practices to provide financial assistance in rural areas. This requires coordinating the various programs to compensate for cyclic processing demands of some programs as well as seasonal construction activity. With the majority of Agency resources being expended in servicing and supervision functions, you must carefully plan and monitor the use of all available resources. This will help assure the loanmaking activities are accomplished in an efficient and timely manner for all of our program areas and that available program funds are effectively utilized.

While the seasonal aspects of farmer program loans or loans for construction of housing and community facilities will dictate some peaks and valleys in processing activities, you are cautioned not to take the approach of emphasizing one activity at a time. A balanced loan program requires both appropriate and planned loanmaking and servicing activities each month in each program! These activities should be reviewed at the end of each month with the appropriate program chiefs.

Emphasis should be placed on making Business and Industry (B&I) loans. The public, lenders, community organizations and local governments should be made aware of the opportunities available under the B&I program. Emphasis should be placed on those B&I loans that will yield the greatest employment/cost benefit and improve the economies of our rural communities by improving job opportunities, especially for former farmers. There will be no changes in requiring quality loan applications, and all present B&I regulations must be met on each and every loan.

Environmental Program

Greater effort needs to be made to institutionalize FmHA's environmental protection requirements into our loanmaking, loan servicing, and property management activities. Continued emphasis needs to be placed upon completing required environmental reviews as early as possible in loan processing and property disposal actions. State Directors must counsel District and State Office staff who cause delays in committing financial resources through their failure to plan for either the accomplishment of the proper environmental review or such routine steps as publishing required public notices. More environmental training of FmHA staff is necessary. Not including any National Office training, State Environmental Coordinators (SEC) must attend at least one environmental training course during this reporting period. Also, District and County staff must be provided with a minimum of eight hours of environmental training during this period.

We must greatly increase our ability to address hazardous waste problems on inventory property. All inventory farms and those which you propose to take into inventory must be examined to ascertain if any hazardous or toxic wastes are present which would require removal. To assist County Office staff in this effort, each SEC must develop a hazardous waste technical support network with experts from such agencies as State agricultural agencies, environmental protection agencies, or any other relevant federal or State agency. This network will provide technical assistance, including on-site evaluations, to County Supervisors whenever their farm visits detect possible hazardous waste problems or raise questions. The network should be established and documented in writing, by letter, memorandum of understanding, or other form acceptable to the agencies. To the extent possible, the involved experts should provide County Office staff with on-farm training in problem identification and acceptable methods of resolution. The Program Support Staff must be advised if you cannot establish such a network.

Use of Resources

In order to accomplish these goals, State Directors should make use of the Resource Management System data which is available on a monthly basis. This will enable you to monitor trends in the use of resources and time management.

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Goals


Attached to this AN by program area are delinquency and inventory reduction goals, and guidance in servicing activities. If we approach the task with a positive attitude of how best to ensure that our borrowers are successful, our objectives can be reached. The following attachments are included:

Attachment	Program
A	Farmer Programs
B	Single Family Housing
C	Multiple Family Housing
D	Community Programs
E	Business and Industry Loans

Conclusion

We will be monitoring your progress in achieving the goals set forth herein. We expect you to monitor the activities of the offices in your State, and to identify high delinquency and other problem areas, and then to utilize available personnel and financial resources to achieve those goals.

Good luck to you and your staff as we embark on another exciting busy year working to serve our farmers and others in rural America.



VANCE L. CLARK
Administrator

Attachments

FARMER PROGRAMS MANAGEMENT AND SERVICING
GOALS THROUGH JUNE 30, 1988

LOAN SERVICING

1. Insured Loans

FmHA personnel must make every effort to help farmers resolve their financial and production problems. County Supervisors and District Directors must fully utilize all appropriate servicing and supervisory tools and skills in determining whether or not borrowers should continue to receive assistance from FmHA.

- a. Continue with servicing actions on a case by case basis as per the September 1, 1987, unnumbered letter "Recent Decisions in the Coleman Case". Because of the court injunction we are unable to establish definite goals to resolve borrowers accounts that were in default on December 31, 1985, December 31, 1986, and those borrowers whose accounts will go into default on December 31, 1987. Therefore, the goal will be based on the date the injunction is resolved.

The goal is to resolve eight and one third percent (8.33%) of those unresolved borrowers in default as of December 31, 1985, December 31, 1986 and December 31, 1987, per month, after the injunction has been lifted. The percentage of cases to be resolved the first month will be prorated based on the day of the month that you can proceed with all servicing options.

- b. Review of Servicing Actions

Monitor on a continuing basis, servicing actions taken by County Supervisors to determine appropriateness of action taken.

- c. Graduation

Review the graduation process in all County Offices to make sure that all borrowers suitable for graduation are required to do so.

2. Guaranteed Loans:

- a. County Supervisors will conduct a review of the servicing of all loans guaranteed by their office. The review will be documented in the County Office case file, and the lender will be notified in writing of all servicing deficiencies noted during the review. In cases where discrepancies are found, the State Director will require the FP staff to visit the lender in an effort to correct the problems. If the lender fails to take corrective action, Approved Lender Program (ALP) status will be terminated.

FARM PROPERTY MANAGEMENT

1. General

The acquisition, management and sale of FmHA farm inventory properties must continue to be administered in a manner that is in the best interest of the Government.

2. Acquisition of Property

- a. Prior to acquisition, District Directors and/or State Office FP staff will review real estate appraisals and insure that they reflect current market value.
- b. Determine all costs of acquiring and holding inventory property as set out in FmHA AN No. 1495 (1955) dated November 6, 1986, and the AN that will be issued on or about November 1, 1987, to replace AN 1495 before bidding at prior lienholders sale. Property will be acquired only when in the best interest of the Government to do so.

3. Management of Property

- a. Previous owner/operators will be notified of leaseback/buyback and dwelling retention rights after the property is taken into inventory.
- b. Conservation Plans from Soil Conservation Service will be requested on all of the inventory farms.
- c. Inventory properties will be handled in accordance with the unnumbered letter "Leasing and Sale of Farmer Inventory Property" dated February 13, 1987.

- d. After acquiring property, review all real estate appraisals annually. Property values are still changing in many areas of the country. Inflated values discourage sales and thereby increase cost associated with holding properties.
- e. Review the classification of all inventory farm properties for proper classifications. Reclassify if necessary.
- f. Continually review Farmer Program inventory to determine if farms are being properly reported and managed. The tracking system must properly reflect the status of inventory farm property at all times.

4. Sale of Property

After a proper determination is made by the State Director that leaseback/buyback and dwelling retention rights have been fully considered, the following actions will be taken:

- a. The services of real estate brokers are strongly encouraged to sell suitable farm properties to eligible applicants. Also, use real estate brokers to sell surplus farm properties after the property has been offered for public sale by sealed bid or auction, no acceptable bids or offers have been received, and negotiations have been discontinued. Brokers should be used unless County Supervisors have adequate time to sell inventory property.
- b. The goal is to reduce inventory property levels to 25 percent of the June 30, 1987, levels by June 30, 1988, for both suitable and surplus inventory farms.

5. Training

- a. A minimum of 16 hours of formal training on insured and guaranteed loan servicing and property management will be conducted for the County and District Office personnel by June 30, 1988. The National Office FP staff will provide assistance when requested.
- b. In order to more effectively counsel farmers who are facing serious financial problems all professional State Office Farmer Program staff, District and County Office staff are to attend "Farmers in Transition" which is given by the Cooperative Extension Service (CES). Similar training may be provided in cases where the CES cannot provide the training.

LOAN MAKING

The objective is to get as much of the credit as we possibly can, provided by other lenders. This objective is related to present borrowers (other than limited resource) who are current on their payments and to new (first time) applicants. Farmer Program funding levels for Fiscal Year 1988 will continue to accelerate the shift towards guaranteed loans. FmHA must develop loan requests and present them to lenders for the lender to consider making a guaranteed loan under operation assist throughout the year, and must be willing to assist the lenders in any way possible to assure this steady shift from insured to guaranteed loans.

The goal is for each County Office to obtain 75 percent of the annual operating credit requests through a guaranteed loan or subordination of FmHA's security interest.

Note: Operation assist must be used at the beginning and throughout the lending season!!!

1. Test for Other Credit

All first time applicants, who are presently farming, will be required to seek a guaranteed loan as a part of the test for other credit before consideration can be given to making the applicant an insured loan.

2. Operation Assist

- a. Each County Office will use operation assist to convert at least 5 existing high quality insured loans to guaranteed loans.
- b. When initially rejected by a lender for a guaranteed loan, all first time applicants having cashflow margins of 10% or more will be sent to a lender for reconsideration for a guaranteed loan. Rejection by a lender must be fully documented in the running case record.

3. Subordinations

Subordinations will be used to the fullest extent possible to provide credit to existing insured loan borrowers except in those cases set forth in (2)(a) above and for limited resource borrowers.

4. Loan Quality

Loan quality must be stressed in Fiscal Year 1988. All loans approved must have sufficient cashflow to retire all scheduled debt payments during the planning period, except those loans made under special authorities such as the distressed farmer continuation program which will be published as final rule on or before January 1, 1988. District Directors are to post review five percent of all loans approved in each County Office to assure that this standard is being maintained.

5. Approved Lender Program

Goal: Evaluation of ALP Performance

- a. For all NEW approved lenders, the County Supervisor will work closely with the lender in developing 2 or 3 loans, including a thorough review of the lenders complete loan work up and documentation to insure that the lender understands and is complying with FmHA's regulations and policies before the guarantee is approved and the conditional commitment is issued. The District Director will participate in and monitor this review activity.
- b. For all existing approved lenders, within 45 days of the issuance of the loan note or contract of guarantee, the County Supervisor will conduct a complete review of the lenders guaranteed borrower file. Deficiencies in the credit files will be discussed with the lender and confirmed in writing. Lenders will be advised that a further review of their files will be made within 30 days to determine if corrective action has been taken. After the second review, if corrective action by the lender has not been taken, the lender will be put on written notice that in the event the lender suffers a loss on the loans, FmHA will contest the guarantee to the extent that the deficiencies contributed to the loss on the loan. ALP lenders who fail to correct deficiencies in future loan guarantee requests will be informed that the ALP status will be terminated.

The District Director will participate in and monitor this review activity.

Attachment A
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6. Lender Contact

Each County Supervisor with the assistance of the District Director will contact each lender within the County Office service area at least once during fiscal year 1988 who are not presently participating in the guaranteed program to explain the benefits the program could provide to their institution.

CONTRACTING GOALS

Each district will have one contractor per district for each one thousand or fraction of one thousand active Farmer Program borrowers in the district by January 1, 1988 in order to effectively assist with appraisals and Farmer Program loan processing and servicing.

REPORTING

State Directors will be responsible for preparing reports to assist in monitoring activities in each individual state. State Directors with multi-state jurisdictions should prepare a separate report for each state. The report will be completed in memorandum form, formatted as in Attachment A, page 7 and should be sent to Farmer Programs, Program Development Staff (telemail box NO.PDS) quarterly as follows:

Quarter	Due Date
July - September, 1987	December 1, 1987
October - December, 1987	February 1, 1988
January - March, 1988	April 15, 1988
April - June, 1988	July 15, 1988

Quarter ending _____ State Name _____

(Report only the activity that occurs during each quarter. The National office will accumulate the quarterly reports to obtain annual totals.)

1. Post review of insured borrower servicing and graduation:
 No. of borrowers with servicing actions post reviewed _____
 No. of borrowers post reviewed for graduation..... _____
2. Number of guaranteed borrowers reviewed for appropriateness of lender servicing actions..... _____
3. No. of borrowers notified of leaseback/buyback..... _____
4. No. of SCS Conservation Plans on inventory farms:
 No. requested _____ No. received _____
5. No. of inventory farm appraisals reviewed by State and District office personnel:
 Before being taken into inventory..... _____
 After being taken into inventory..... _____
6. No. of inventory farms reviewed for proper classification..... _____
7. No. farm properties disposed of through brokers _____
8. Number of FP inventory property 6/30/87.... _____
 Number of FP inventory property end this reporting period..... _____
9. Formal training for guaranteed and insured loan servicing and property management:
 Employees trained..... _____
 Total hours of formal training (employees times hrs.) _____
10. Number of professional FP employees received training in counseling?..... _____
11. Number of loans post reviewed by District Directors..... _____
12. NEW approved lenders:
 Number..... _____
 No. of loans reviewed before guarantee issuance..... _____
13. No. of guaranteed loans from approved lenders reviewed within 45 days of issuance of the guarantee..... _____
14. No. of contacts with lenders not participating in guaranteed program: Cty. Supervisor _____ ...Dist. Director _____

Suitable

Surplus

SINGLE FAMILY HOUSING MANAGEMENT AND SERVICING GOALS
THROUGH JUNE 30, 1988

Introduction

The continued diligent efforts of FmHA personnel, particularly those who work in our County Offices, have resulted in remarkable reductions in the Single Family Housing monthly borrowers' delinquency rate. The national delinquency rate average for 1986 was 13.6 percent which represented the lowest yearly delinquency rate for rural housing monthly payment borrowers in FmHA's history. This historic achievement was surpassed in June 1987 with an 11.7 percent national delinquency rate average. These reduced delinquency rates demonstrate what can be accomplished through improved loan servicing.

Establishing specific State goals has been beneficial in reducing the number and percent of delinquent monthly and annual rural housing borrowers. Those States that continue to achieve established goals have placed added emphasis on delinquency reduction. Therefore, it is important that we continue to set attainable goals to achieve the mission of the SFH program. Goals are established to focus on the following areas:

- Utilizing servicing tools such as daily follow-ups, interest credit, moratorium, budgets, partial payment agreement and counseling to assist borrowers in becoming successful homeowners.
- Managing and caring for abandoned and inventory properties, and selling inventory, as soon as possible, to maximize the government's recovery.
- Increasing the number of loans made to very low-income applicants.

Loan Servicing and Supervision

Our nationwide goal is to have 89 percent of all SFH borrowers successful by June 30, 1988. This goal is attainable with proper emphasis on the servicing of SFH loans. Although delinquency reductions are possible in all County Offices, we suggest the concentration of servicing efforts in those offices where the delinquency rate is above the state or national average. This would help reduce the wide disparity we see in delinquency rates within and between individual States. This approach allows those County Offices that have reached the desired goal to direct their effort toward maintenance of their delinquency rate.

Attachment B

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Servicing goals have been established for each state using the following table and information from FmHA Report Code 581 dated July 21, 1987:

<u>Category</u>	<u>Reduction</u>
1. 10% or below	<u>1/</u>
2. 10.1% through 14.9%	10%
3. 15% through 17.9%	15%
4. 18% through 20.9%	20%
5. 21% through 25.9%	25%
6. above 26%	30%

1/ Do not exceed July 21, 1987, delinquency level.

The same percentage improvement was established for annual payment borrowers based on Report Code 583 as of June 28, 1987. In addition, from June 28, 1987, to June 28, 1988, each State has a goal to reduce the total dollar amount of delinquent debt outstanding. (See Report Code 616)

Property Management

The County Office Operating Reports System (COORS), indicates the SFH inventory was 13,882 on June 30, 1987, a net decrease from the June 30, 1986, level. Congratulations are in order for every employee who helped us attain the reduction.

A new inventory tracking system is in the implementation stage and will provide up-to-date data about acquisitions, sales, time in inventory, and other information. This system will make it easier to manage inventory properties and will allow followup when needed to provide guidance for the further reduction of inventory properties.

The new system will work only if used regularly. It is recommended that personnel involved with inventory property acquisition, management and/or sale of inventory property at the County Offices and State Offices review data made available by the new system at least on a weekly basis. A meeting each week may be appropriate to review progress of property management activities underway and to determine appropriate activities to be undertaken. The goal for the coming year is two-fold:

1. A reduction of SFH inventory of 12 percent from July 1, 1987, to June 30, 1988; and
2. On June 30, 1988, to have no SFH program property in inventory which was acquired before January 1, 1987, and no nonprogram property which was acquired before January 1, 1988.

Sales must continue to exceed acquisitions nationally. The achievement of both goals is possible, particularly if field offices made full use of private sector services in the management, repair, and sale of inventory homes and auctions and/or sealed bid sales for nonprogram houses which do not sell readily by regular sale. Effective use of advertising and promotion by use of "For Sale" signs cannot be overemphasized.

Section 502 Loan Making Goals

A review of Fiscal Year 1987 (FY-87) Section 502 rural housing (RH) loan processing activity indicates that total loan obligations are concentrated in the last part of the fiscal year. The cumulative obligations for FY-87 were 11.3% first quarter, 27.3% second quarter and 51% third quarter.

In order for State Directors to improve the management of the Section 502 RH program, we have provided goals to more evenly distribute the obligation of loan funds throughout the fiscal year. You will notice that we are not setting a goal of obligating 25% each quarter, but have established goals that move us in that direction. These goals are 15% first quarter, 35% second quarter, 65% third quarter and the balance in the fourth quarter. The exhibit shown on page 5, contains the quarterly obligation goals, based on FY-87 allocations, for both very-low income and total 502 fund utilization (low- and very-low). While the percentage goals will remain unchanged, the obligation amounts will be revised when FY-88 allocations are known.

The Farm and Housing Activity report continues to show approximately 65,000 Section 502 applications on hand. With this current level of program interest, each office must be sensitive to those needs and respond in a timely manner. The SFH/PD will review Report Code 638 for loan making activity at the county level within each State. The National Office will provide a monthly report showing each State's progress on meeting the goal.

State Directors are encouraged to fully utilize available very-low income funds and to meet the Agency's objective in serving rural families through an effective outreach program in FY-88.

SINGLE FAMILY HOUSING PROGRAM MANAGEMENT AND SERVICING GOALS
Through June 30, 1988

STATE	Delinquent (1) Borrowers Monthly		Delinquent (2) Borrowers Annual		Inventory (3) Properties	
	Status 7-21-87	Goal 6-30-88	Status 7-21-87	Goal 6-30-88	Status 6-30-87	Goal 6-30-88
ALABAMA	3,351	3,016	42	42	892	785
ARIZONA	650	695	12	12	130	114
ARKANSAS	3,220	2,898	312	265	626	551
CALIFORNIA	3,377	3,039	37	26	175	154
COLORADO	832	749	56	42	237	209
CONNECTICUT	257	273	4	4	4	4
DELAWARE	230	230	0	0	23	20
FLORIDA	2,051	2,051	47	42	344	303
GEORGIA	4,322	3,890	205	154	444	391
IDAHO	1,363	1,227	132	106	376	331
ILLINOIS	2,017	1,815	54	46	412	363
INDIANA	2,172	1,955	22	20	522	459
IOWA	1,104	1,190	56	56	299	263
KANSAS	1,066	959	73	66	322	283
KENTUCKY	2,465	2,465	148	148	350	308
LOUISIANA	3,326	2,993	152	114	558	491
MAINE	2,038	1,834	82	82	45	40
MARYLAND	780	780	13	13	37	33
MASSACHUSETTS	460	493	2	2	4	4
MICHIGAN	3,186	2,867	66	50	361	318
MINNESOTA	1,146	1,146	230	173	167	147
MISSISSIPPI	8,425	7,161	1,034	1,034	659	580
MISSOURI	1,941	1,941	257	206	535	471
MONTANA	623	561	50	40	150	132
NEBRASKA	728	728	57	51	147	129
NEVADA	132	119	4	3	82	72
NEW HAMPSHIRE	309	330	8	7	5	4
NEW JERSEY	1,024	1,024	12	10	18	16
NEW MEXICO	862	776	27	24	204	180
NEW YORK	3,441	3,097	72	61	151	133
NORTH CAROLINA	2,957	3,230	321	321	418	368
NORTH DAKOTA	820	697	218	174	272	239
OHIO	1,678	1,510	16	16	182	160
OKLAHOMA	2,731	2,458	169	152	718	632
OREGON	806	806	21	18	317	279
PENNSYLVANIA	1,877	1,877	45	41	234	206
RHODE ISLAND	112	120	0	0	1	1
SOUTH CAROLINA	2,994	2,994	101	91	488	429
SOUTH DAKOTA	494	494	176	150	131	115
TENNESSEE	4,735	4,262	214	193	372	327
TEXAS	4,968	4,471	256	230	642	565
UTAH	823	741	39	35	157	138
VERMONT	390	423	32	32	4	4
VIRGINIA	3,822	3,440	85	77	304	268
WASHINGTON	1,141	1,027	38	30	259	228
WEST VIRGINIA	1,821	1,639	11	11	256	225
WISCONSIN	1,565	1,409	156	133	225	198
WYOMING	298	268	14	13	175	154
ALASKA	210	179	0	0	37	33
HAWAII	710	639	0	0	1	1
WEST PAC TERR	690	621	0	0	12	11
PUERTO RICO	9,507	6,655	427	384	395	348
VIRGIN ISLANDS	302	257	0	0	3	3
NATIONAL TOTALS	102,349	95,148	5,605	5,045	13,882	12,216

(1) 7-21-87 Status from Report 581

(2) 7-21-87 Status from Report 583

(3) 6-30-87 Status from SFH Inventory Report

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Attachment B

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FY-88 DOLLAR OBLIGATION GOALS BASED ON FY-87 AMOUNTS
(dollars in thousands - revised exhibit to follow)

STATE	VERY-LOW				TOTAL 502 (VERY LOW & LOW)			
	GOAL 10% 12/31/87	GOAL 30% 3/31/88	GOAL 55% 6/30/88	GOAL 100% 9/30/88	GOAL 15% 12/31/87	GOAL 35% 3/31/88	GOAL 65% 6/30/88	GOAL 100% 9/30/88
ALABAMA	1,378	4,135	7,580	13,782	5,168	12,060	22,396	34,456
ARIZONA	518	1,553	2,846	5,175	1,941	4,528	8,410	12,938
ARKANSAS	1,029	3,086	5,658	10,288	3,858	9,002	16,718	25,720
CALIFORNIA	1,880	5,641	10,342	18,804	7,052	16,454	30,557	47,010
COLORADO	451	1,353	2,481	4,510	1,691	3,947	7,329	11,276
CONNECTICUT	382	1,145	2,099	3,817	1,431	3,340	6,203	9,543
DELAWARE	126	377	692	1,258	472	1,100	2,044	3,144
FLORIDA	1,309	3,926	7,198	13,088	4,908	11,452	21,269	32,721
GEORGIA	1,776	5,329	9,769	17,762	6,661	15,542	28,863	44,405
IDAHO	350	1,049	1,923	3,496	1,311	3,059	5,680	8,739
ILLINOIS	1,535	4,605	8,442	15,349	5,756	13,431	24,942	38,373
INDIANA	1,422	4,267	7,823	14,223	5,334	12,445	23,112	35,557
IOWA	917	2,751	5,044	9,170	3,439	8,023	14,901	22,924
KANSAS	686	2,059	3,775	6,863	2,574	6,005	11,153	17,158
KENTUCKY	1,608	4,823	8,841	16,075	6,028	14,066	26,122	40,188
LOUISIANA	1,201	3,604	6,607	12,013	4,505	10,512	19,521	30,033
MAINE	520	1,561	2,862	5,204	1,952	4,554	8,457	13,010
MARYLAND	589	1,766	3,237	5,886	2,207	5,151	9,565	14,716
MASSACHUSETTS	637	1,910	3,501	6,366	2,387	5,570	10,345	15,915
MICHIGAN	1,798	5,394	9,890	17,981	6,743	15,734	29,219	44,953
MINNESOTA	1,048	3,144	5,764	10,480	3,930	9,170	17,029	26,199
MISSISSIPPI	1,198	3,593	6,587	11,976	4,491	10,473	19,461	29,940
MISSOURI	1,286	3,859	7,074	12,862	4,823	11,254	20,900	32,154
MONTANA	297	891	1,634	2,970	1,114	2,598	4,826	7,424
NEBRASKA	438	1,315	2,410	4,382	1,643	3,835	7,121	10,956
NEVADA	105	316	579	1,052	394	920	1,709	2,629
NEW HAMPSHIRE	319	957	1,755	3,190	1,196	2,791	5,183	7,974
NEW JERSEY	506	1,518	2,782	5,059	1,897	4,426	8,221	12,647
NEW MEXICO	428	1,283	2,351	4,275	1,603	3,740	6,347	10,687
NEW YORK	1,802	5,405	9,908	18,015	6,756	15,763	29,274	45,037
NORTH CAROLINA	2,418	7,253	13,297	24,177	9,066	21,155	39,287	60,442
NORTH DAKOTA	248	745	1,365	2,482	931	2,172	4,034	6,206
OHIO	2,096	6,288	11,527	20,959	7,860	18,339	34,059	52,398
OKLAHOMA	880	2,639	4,639	8,798	3,299	7,698	14,297	21,995
OREGON	721	2,162	3,964	7,207	2,703	6,306	11,712	18,018
PENNSYLVANIA	2,497	7,492	13,736	24,974	9,365	21,853	40,583	62,436
RHODE ISLAND	80	240	439	799	300	699	1,298	1,997
SOUTH CAROLINA	1,226	3,677	6,741	12,257	4,596	10,725	19,918	30,643
SOUTH DAKOTA	304	912	1,673	3,041	1,140	2,661	4,942	7,603
TENNESSEE	1,522	4,565	8,370	15,218	5,707	13,316	24,729	38,045
TEXAS	2,705	8,114	14,875	27,045	10,142	23,664	43,948	67,612
UTAH	200	599	1,097	1,995	748	1,746	3,242	4,988
VERMONT	249	748	1,372	2,494	935	2,183	4,053	6,236
VIRGINIA	1,533	4,598	8,430	15,328	5,748	13,412	24,909	38,321
WASHINGTON	847	2,540	4,656	8,465	3,174	7,407	13,756	21,163
WEST VIRGINIA	990	2,970	5,444	9,899	3,712	8,662	16,086	24,748
WISCONSIN	1,225	3,675	6,738	12,250	4,594	10,719	19,906	30,625
WYOMING	178	533	977	1,776	666	1,554	2,885	4,439
ALASKA	190	569	1,042	1,895	711	1,658	3,079	4,737
HAWAII	172	516	945	1,719	645	1,504	2,793	4,297
WEST PAC TERR	350	1,051	1,927	3,503	1,314	3,065	5,692	8,757
PUERTO RICO	3,244	9,732	17,843	32,441	4,866	11,354	21,087	32,441
VIRGIN ISLANDS	129	387	710	1,291	484	1,129	2,098	3,227
STATE TOTALS	51,543	154,620	283,461	515,384	185,971	433,932	805,870	1,239,800

MULTIPLE FAMILY HOUSING PROGRAM MANAGEMENT GOALS
THROUGH JUNE 30, 1988

Introduction

A balanced loan program is to be maintained during FY 1988 so that sufficient resources are allocated to provide for Multiple Family Housing (MFH) loanmaking and servicing activities. We must continue our efforts to service the Rural Rental Housing (RRH) and Labor Housing (LH) loans while providing loanmaking activities that will result in feasible projects being operated by responsible borrowers.

Loan Servicing and Supervision

In past years the reported delinquency rates for RRH accounts have been at lower levels than the delinquency data that is now available through the Automated Multi-Housing Accounting System (AMAS). Administrative Notice (AN) 1569 (1951) dated March 27, 1987, reported RRH and LH delinquencies at 24 percent and 37 percent, respectively. The AMAS training and follow up efforts to resolve discrepancies by State and District personnel have resulted in reported delinquencies for July 1987 being reduced to 16 percent for RRH and 20 percent for LH. These rates are still too high and are no doubt a combination of truly delinquent accounts and discrepancies in AMAS.

Special emphasis must continue to be placed on reviewing accounts to determine if a project is truly delinquent (monetary default) or if there are discrepancies in the system causing the delinquency. Further, borrower reporting requirements and effective reviews of audits and year-end reports must be a part of our overall servicing efforts.

A. Discrepancy/Delinquency Reduction Goals To Be Achieved By June 30, 1988 - The RRH and LH goals for FY 1988 are shown on pages 4 and 5. These goals were established based on each State's RRH and LH caseload and delinquency percentage as shown on Report Code 616 for June 30, 1987.

Some states should be able to achieve a lower delinquency since some of the reported delinquent accounts are AMAS related discrepancies that are to be corrected no later than October 1, 1987, when late fees for Predetermined Amortization Schedule System (PASS) borrowers are to be implemented as per AN 1621(1951).

Attachment C

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The delinquency goals for RRH and LH were calculated by multiplying each State's caseload by 10 and 15 percent, respectively. (In the case where a State had fewer delinquent borrowers than the calculated figure or was near that figure, the goal was reduced further.) The rationale for this system of establishing goals is to recognize each State's program volume and those States that have reduced or maintained delinquency levels in line with or below the national average.

Previous years delinquency goals have been considerably lower than the goals established for FY 1988. This was due mainly to the manner in which the delinquency was reported. Under AMAS, delinquent accounts are being reported more accurately than the previous system, consequently causing the delinquency to be higher.

B. Servicing RRH and LH Accounts - State and District Offices are responsible for the debt management of their MFH loan portfolios in accordance with applicable regulations and instructions. Recent and future issuances of the AMAS Newsletter and administrative notices dealing with solving problems and correcting discrepancies and delinquencies should be carefully reviewed when analyzing problem accounts. Special emphasis and innovative methods should be used when servicing borrowers whose projects are in areas economically depressed due to changes in the economy. The National Office, Multiple Family Housing Servicing and Property Management (MHSPM) Division should be consulted for guidance on issues when the use of procedural authorities have been exhausted.

C. Delinquency Reduction Plans - Each State is requested to prepare a State delinquency reduction plan for all delinquent MFH accounts and update it on a quarterly basis in accordance with Section 1965.85 (b) (1) of FmHA Instruction 1965-B. The plans for each State must be sent to the National Office no later than 45 days after the date of this AN. Also, States are to forward copies of quarterly updates of their plans to the National Office so that delinquency servicing efforts can be monitored.

Attachment C
Page 3

D. Loan Making - We will be challenged this year to achieve our mission of providing MFH projects in rural areas. This is particularly true due to some provisions of the Tax Reform Act of 1986 which make it more feasible and advantageous for developers to place projects closer to urban areas. While we want to develop projects in rural areas, we must also be assured that the market is strong enough to support the project in the future so that it does not turn into a servicing problem.

Cost containment standards are to be stressed as important in building design and should be followed when working with applicants on developing new MFH projects. We need to be receptive to new ideas that will further our cost containment objectives.

We ask you to carefully plan your loan making activities to facilitate the use of loan funds. All offices are encouraged to use funds throughout the year and not delay obligating RRH and LH loans until the end of the fiscal year.

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RRH PROJECT DELINQUENCY GOALS THROUGH JUNE 30, 1988

STATE	TOTAL PROJECTS 6/30/87	NUMBER DELINQUENT 6/30/87	PERCENT DELINQUENT 6/30/87	GOAL 6/30/88
ALABAMA	462	130	28	46
ALASKA	34	8	24	3
ARIZONA	73	25	34	7
ARKANSAS	243	84	35	24
CALIFORNIA	316	94	30	32
COLORADO	119	27	23	12
DELAWARE	122	19	16	9
FLORIDA	300	58	19	30
GEORGIA	322	64	20	32
HAWAII	16	2	13	1
IDAHO	207	31	15	21
ILLINOIS	692	131	19	69
INDIANA	535	131	24	54
IOWA	957	148	15	96
KANSAS	368	106	29	37
KENTUCKY	246	48	20	25
LOUISIANA	250	48	19	25
MAINE	275	34	12	21
MASSACHUSETTS	124	11	9	9
MICHIGAN	535	105	20	54
MINNESOTA	705	46	7	40
MISSISSIPPI	388	78	20	39
MISSOURI	910	107	12	91
MONTANA	162	29	18	16
NEBRASKA	239	48	20	24
NEW JERSEY	61	21	34	6
NEW MEXICO	63	14	22	6
NEW YORK	315	69	22	32
NORTH CAROLINA	429	27	6	18
NORTH DAKOTA	404	43	11	35
OHIO	317	50	16	32
OKLAHOMA	259	59	23	26
OREGON	171	49	29	17
PENNSYLVANIA	221	47	21	22
PUERTO RICO	42	10	24	4
SOUTH CAROLINA	261	31	12	26
SOUTH DAKOTA	574	87	15	57
TENNESSEE	325	61	19	33
TEXAS	662	143	22	66
UTAH	146	41	28	15
VERMONT	134	20	15	13
VIRGINIA	161	32	20	16
WASHINGTON	236	45	19	24
WEST VIRGINIA	198	24	12	18
WISCONSIN	558	50	9	45
WYOMING	63	12	19	5
NATIONAL TOTALS	14200	2547	18	1330

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IH PROJECT DELINQUENCY GOALS THROUGH JUNE 30, 1988

STATE	TOTAL PROJECTS 6/30/87	NUMBER DELINQUENT 6/30/87	PERCENT DELINQUENT 6/30/87	GOAL 6/30/88
ALABAMA	11	3	27	2
ALASKA	0	0	0	0
ARIZONA	16	3	19	2
ARKANSAS	300	49	16	45
CALIFORNIA	52	8	15	8
COLORADO	1	0	0	0
DELAWARE	6	2	33	1
FLORIDA	14	1	7	1
GEORGIA	2	0	0	0
HAWAII	49	4	8	4
IDAHO	12	2	17	2
ILLINOIS	3	1	33	0
INDIANA	1	1	100	0
IOWA	1	1	100	0
KANSAS	2	2	100	0
KENTUCKY	1	0	0	0
LOUISIANA	60	17	28	9
MAINE	11	1	9	1
MASSACHUSETTS	10	2	20	2
MICHIGAN	87	21	24	13
MINNESOTA	1	0	0	0
MISSISSIPPI	250	84	34	38
MISSOURI	1	0	0	0
MONTANA	5	2	40	0
NEBRASKA	4	0	0	0
NEW JERSEY	11	4	36	1
NEW MEXICO	3	0	0	0
NEW YORK	11	2	18	1
NORTH CAROLINA	18	7	39	3
NORTH DAKOTA	2	1	50	0
OHIO	2	1	50	0
OKLAHOMA	6	1	17	0
OREGON	13	4	31	2
PENNSYLVANIA	0	0	0	0
PUERTO RICO	0	0	0	0
SOUTH CAROLINA	85	25	29	13
SOUTH DAKOTA	2	1	50	0
TENNESSEE	96	20	21	14
TEXAS	27	2	7	2
UTAH	2	0	0	0
VERMONT	86	8	9	8
VIRGINIA	6	2	33	0
WASHINGTON	22	2	9	2
WEST VIRGINIA	0	0	0	0
WISCONSIN	6	2	33	0
WYOMING	0	0	0	0
NATIONAL TOTALS	1298	286	22	176

COMMUNITY PROGRAMS SERVICING GOALS THROUGH JUNE 30, 1988

INTRODUCTION

Community Programs has historically maintained a good record of account supervision. Today's challenge serves to emphasize the importance of clearly defined servicing goals if we are to continue our record of effective service to rural America. To that end, we are reemphasizing Community Programs' servicing goals.

LOAN SERVICING

Good loan servicing begins at the time a loan is obligated. Community Program funds are allocated to each State based on formulas which provide an equitable distribution of funds. Each State Director is expected to use available program funds, personnel resources, and approved contract services in line with sound loanmaking practices to provide financial assistance in rural areas. State Directors are encouraged to take action to promptly process eligible preapplications/applications and develop an effective public information program.

It is the responsibility of FmHA to provide management assistance which will ensure borrower success and compliance with appropriate FmHA instructions.

The FmHA servicing official will review and approve each borrower's accounting and financial reporting system prior to loan closing or start of construction. Borrowers are to be closely monitored to assure that management reports are prepared in accordance with FmHA Instruction 1942-A, section 1942.17(q)(2). The initial review of the borrower's records and accounts will be made in accordance with section 1942.17(r)(1)(ii)(A). Subsequent reviews will be made for all delinquent borrowers and other borrowers having financial problems on at least a quarterly basis in accordance with section 1942.17(r)(1)(ii)(B).

The servicing official will ensure that all borrowers are promptly and properly notified of the amount and due date of payments. Furthermore, the servicing official will be responsible for monitoring the timely receipt of payments. All available servicing tools should be used in servicing delinquent and/or problem case accounts in accordance with applicable FmHA instructions.

In cases where multiple advances are used, the servicing official should review Form FmHA 451-26, "Transaction Record," and Report Code 584, "Listing of Accounts with Bond Payments Due," to verify that all multiple advances have been properly accounted for and the correct amount due is collected.

Delinquency goals established for each State are attached. We believe these goals are realistic and attainable through proper application of the servicing tools provided in applicable instructions.

Attachment D
Page 2

In establishing 1988 delinquency goals for Water and Waste Disposal borrowers, each State's 1987 accomplishment was measured against the delinquency as of June 30, 1987. The 1987 goals that were exceeded or not met were taken into account in establishing the 1988 goals. Consideration was also given to States with "hard core" delinquent loans which have been properly serviced, along with delinquent loans where legal action is pending.

In establishing the delinquency goals for Community Facilities, Recreation, Watershed, and Resource Conservation and Development borrowers, each delinquent account was reviewed and a decision made regarding the goals for each State. History of the delinquency and the amount of delinquency are the major factors considered in reviewing the accounts.

Accounts with small delinquencies are expected to be paid current. Closer review and confirmation of billings must be done before notifying borrowers of amounts due for the year. Borrowers who have a delinquency but are making progress should be considered for reamortization. Those delinquent borrowers who have tax levying authorities should be encouraged to use those authorities in bringing their account to a current status.

The delinquent loan status as of June 30, 1987, was taken from Report Code 616, "Active Borrowers Delinquent," furnished by the Finance Office.

WATER AND WASTE DISPOSAL SERVICING GOALS
THROUGH JUNE 30, 1988

	DELINQUENT BORROWERS*	
	STATUS 6/30/87	GOAL 6/30/88
ALABAMA	6	4
ARIZONA	1	0
ARKANSAS	6	1
CALIFORNIA	5	2
COLORADO	0	0
DELAWARE	0	0
MARYLAND	0	0
FLORIDA	0	0
GEORGIA	4	3
IDAHO	1	0
ILLINOIS	3	2
INDIANA	6	6
IOWA	3	2
KANSAS	5	2
KENTUCKY	1	0
LOUISIANA	7	3
MAINE	0	0
MASSACHUSETTS	1	0
CONNECTICUT	0	0
RHODE ISLAND	0	0
MICHIGAN	0	0
MINNESOTA	0	0
MISSISSIPPI	2	2
MISSOURI	1	1
MONTANA	2	1
NEBRASKA	0	0
NEW JERSEY	0	0
NEW MEXICO	1	0
NEW YORK	1	0
NORTH CAROLINA	0	0
NORTH DAKOTA	0	0
OHIO	0	0
OKLAHOMA	10	3
OREGON	0	0
PENNSYLVANIA	8	6
SOUTH CAROLINA	1	0
SOUTH DAKOTA	1	0
TENNESSEE	2	2
TEXAS	7	6
UTAH	0	0
NEVADA	0	0
VERMONT	0	0
NEW HAMPSHIRE	1	0
VIRGIN ISLANDS	0	0
VIRGINIA	5	3
WASHINGTON	2	0
WEST VIRGINIA	5	5
WISCONSIN	0	0
WYOMING	0	0
ALASKA	0	0
HAWAII-AM.SAMOA	0	0
W PACIFIC TERR.	0	0
PURETO RICO	0	0
NATIONAL TOTAL	98	54

*6/30/87 Status from Report Code 616

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Attachment D
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COMMUNITY FACILITIES DIVISION SERVICING GOALS
THROUGH JUNE 30, 1988
DELINQUENT BORROWERS (1)

	CF		REC		WS		RC&D	
	Status	Goal	Status	Goal	Status	Goal	Status	Goal
	6/30/87	6/30/88	6/30/87	6/30/88	6/30/87	6/30/88	6/30/87	6/30/88
ALABAMA								
ARIZONA								
ARKANSAS								
CALIFORNIA	2							
COLORADO	1	1						
DELAWARE								
MARYLAND								
FLORIDA								
GEORGIA	1		1					
IDAHO			3	2			4	3
ILLINOIS	1	1	1	1				
INDIANA					1			
IOWA	3	2	1					
KANSAS			1	1				
KENTUCKY								
LOUISIANA	1							
MAINE	1	1						
MASSACHUSETTS								
CONNECTICUT								
RHODE ISLAND								
MICHIGAN	2	1			1	1		
MINNESOTA								
MISSISSIPPI			1					
MISSOURI	1							
MONTANA							1	
NEBRASKA			2					
NEW JERSEY								
NEW MEXICO			1	1			1	1
NEW YORK	2	2	1				1	1
NORTH CAROLINA	2							
NORTH DAKOTA	1							
OHIO								
OKLAHOMA	1		1					
OREGON	1	1					2	2
PENNSYLVANIA								
SOUTH CAROLINA			1	1				
SOUTH DAKOTA	1		1					
TENNESSEE	2		1	1	1	1		
TEXAS	7	2	2	2				
UTAH								
NEVADA								
VERMONT								
NEW HAMPSHIRE								
VIRGIN ISLANDS								
VIRGINIA								
WASHINGTON			1	1			1	1
WEST VIRGINIA	1	1						
WISCONSIN	1							
WYOMING							1	
ALASKA								
HAWAII-AM.SAMOA							1	1
W. PACIFIC TERR.								
PUERTO RICO								
TOTALS	32	12	19	10	3	2	12	9

(1) June 30, 1987, status from Report Code 616

BUSINESS AND INDUSTRY PROGRAM

SERVICING GOALS

THROUGH JUNE 30, 1988

INTRODUCTION

Specific goals must be established to enable us to achieve FmHA's Business and Industry (B&I) mission. Heavy emphasis should be placed on loan processing and servicing.

LOAN PROCESSING

B&I loanmaking for fiscal year 1988 should be directed toward stimulating employment in rural areas.

The public, lenders, community organizations and local Governments should be made aware of the opportunities available under the B&I program. Emphasis should be placed on those B&I guaranteed loans that will yield the greatest employment/cost benefit.

There will be no change in requiring quality applications, and all present B&I regulations must be met on each and every loan.

LOAN SERVICING AND SUPERVISION

B&I guaranteed loan delinquency rates as of June 30, 1987, decreased nationally by 1.1 percent over the same period 1-year ago; however, we still need to improve servicing efforts. We realize this was a period of substantial business and industry realignment affecting the volume of qualified applications for B&I guarantees as well as their cash flow generation for debt servicing. Bearing these factors in mind, the attached table shows:

1. The number of delinquent borrowers as of June 30, 1987.
2. June 30, 1988, goal for number of delinquent borrowers.

The methodology used in establishing goals for individual State Offices includes:

1. The type of portfolio and the economics involved in the State.
2. State delinquency as compared to national delinquency rate.

Recommended actions within the State to meet the established goals included:

1. Assign sufficient staff to accomplish servicing actions.

Attachment E

Page 2

2. Confine appropriate staff to specific servicing activities.
3. "Earmark" definite travel funds to accomplish accelerated servicing field trips.
4. Establish realistic objectives, tasks and scheduling to work toward meeting and exceeding the delinquency goals for your State.
5. Encourage additional commercial lending and servicing training.
6. Work closely with lenders as they service loans in bankruptcy or liquidate loans to maximize recovery.
7. Require regular field trips, lender interviews and site inspections by Chief and/or Specialist on problem and delinquent accounts.
8. Review monthly the progress being made and document properly.
9. Require the lender to live up to its servicing responsibilities, especially during bankruptcy.
10. As required by FmHA regulations, seek the advice of the Regional Attorney on all bankruptcy cases, and appropriate workouts and liquidations as specified in the General Administrative section.

Since economic conditions are improving, we expect to see a marked reduction in the number of delinquent loans within the next 12 months. The reductions are reflected as goals in the attached table. I expect each of you to review these goals and take any necessary action to be sure these goals are met or surpassed.

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Attachment E
Page 3Business and Industry Program Management
and Servicing Goals

State Office	Delinquency Goals for 6/30/87 in No. of Borrowers Not to Exceed	Accomplish- ment of Goals Above or Below	Delinquency as of 6/30/87 Number	Delinquency Goals for 6/30/88 in No. of Borrowers Not to Exceed
Alabama	9	-4	5	4
Alaska	2	+1	3	1
Arizona	3	0	3	2
Arkansas	14	-1	13	9
California	3	+4	7	3
Colorado	6	0	6	4
Del/Md	1	-1	0	0
Florida	1	+2	3	1
Georgia	12	0	12	9
Hawaii	1	0	1	0
Idaho	4	0	4	3
Illinois	5	+1	6	4
Indiana	5	0	5	4
Iowa	5	+4	9	5
Kansas	5	+2	7	4
Kentucky	8	+1	9	6
Louisiana	32	-2	30	25
Maine	2	+2	4	2
Mass/Conn/RI	1	+1	2	1
Michigan	7	0	7	6
Minnesota	11	-7	4	4
Mississippi	6	+2	8	6
Missouri	4	0	4	3
Montana	6	+4	10	6
Nebraska	3	0	3	2
New Jersey	1	0	1	1
New Mexico	3	+1	4	2
New York	15	+2	17	12
N. Carolina	10	0	10	9
N. Dakota	12	-1	11	8
Ohio	9	-3	6	4
Oklahoma	10	0	10	6
Oregon	5	0	5	4
Pennsylvania	6	-1	5	3
Puerto Rico	13	+4	17	11
S. Carolina	9	0	9	7
S. Dakota	9	-2	7	5
Tennessee	14	-1	13	10
Texas	25	+5	30	23
Utah/Nev.	5	+2	7	4
VT/N.H./V.I.	8	0	8	6
Virginia	1	+1	2	1
Washington	3	-1	2	1
W. Virginia	13	0	13	11
Wisconsin	14	-1	13	11
Wyoming	5	+1	6	4
Total	346	+15	361	257